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Federal deficit expected to approach \$500 billion next year

WASHINGTON (AP) — The federal government is heading toward a record \$480 billion deficit in 2004 and will rack up red ink of almost \$1.4 trillion over the next decade, according to the latest analysis by the Congressional Budget Office.

The nonpartisan budget office on Tuesday also confirmed earlier estimates that the federal deficit for the fiscal year ending Sept. 30 will be \$401 billion, well above the previous record of \$290.4 billion set in 1992.

The 2004-2013 deficit estimate of \$1.397 trillion reverses previous predictions that the federal government, battered by economic recession and rising defense and security costs, would still take in more than it spends over the coming decade.

The CBO put the deficit in 2005 at \$341 billion, and predicted that the budget will finally return to a surplus in 2012 and 2013. But it also hedged those predictions, saying they were based on the assumption that Congress will allow several tax cuts enacted in recent years to expire in 2010. That is unlikely to happen.

It also does not predict the cost of the war and reconstruction in Iraq or take into account new spending programs, such as a \$400 billion Medicare prescription drug plan Congress is now working on.

Besides defense costs, Democrats were quick to cite the Bush administration's tax cuts for the government's financial problems. The CBO, while saying there were other factors, said tax cuts enacted this year were responsible for much of the anticipated decline in revenue over the next few years.

The Bush administration has succeeded in enacting tax cuts the past three years, including a measure this year reducing taxes by \$330 billion through 2013.

In its last budget estimates in March, the CBO predicted that the deficit would be \$246 billion this year, but would move gradually back toward the black and result in an accumulated surplus of \$891 billion in the 2004-2013 period.

"It is clear that these estimates will provide yet more evidence of the nation's fiscal deterioration under the irresponsible tax cut and spending policies of the Bush administration," said Sen. Kent Conrad of North Dakota, top Democrat on the Senate Budget Committee.

House Budget Committee Democrats said their analysis shows that the deficit will hit \$495 billion in 2004, and will never go below \$300 billion in the 2004-2013 period, reaching a total over the decade of \$3.7 trillion.

If money from the Social Security surpluses now being used to pay for other federal programs is not factored in, the decade-long deficit will be \$6.3 trillion, they said.

Sean Spicer, spokesman for House Budget Committee Chairman Jim Nussle, R-Iowa, disputed the Democratic conclusions, saying Republicans do have a blueprint for getting the budget back in balance. He said the keys were promoting a strong economic recovery and controlling federal spending and "we're trying to do both."

The Bush administration has blamed the swift reversal from budget surpluses to perennial deficits to the

faltering economy, the Sept. 11 attacks and the sharp rise in defense and homeland security costs. The White House says the fiscal situation will improve as the economy, bolstered by the Bush tax cuts, becomes more robust.

But Rep. John Spratt of South Carolina, ranking Democrat on the House Budget Committee, contended that budget projections already assume strong growth of more than 3% a year over the next few years. "Even with growth we still have deep deficits getting even deeper," he said.

The CBO numbers, he said, do not take into account the \$1.2 trillion that will be lost if tax cuts scheduled to expire over the next decade are made permanent, and another \$878 billion in new tax cuts over the decade being sought by the White House.

This fiscal year's deficit has already exceeded the old record of \$290.4 billion set in 1992 when President Bush's father was president. Republicans argue that the economy is much larger today than it was then, so the budget shortfall has less of an impact and is not a record when measured as a percentage of Gross Domestic Product. Many economists look more at the percentage of GDP than raw dollars in assessing the impact of federal budget deficits on the economy.

Robert Greenstein of the Center on Budget and Policy Priorities, a liberal advocacy group, said that, without tax increases and no cuts in Social Security, defense and homeland security, all other federal programs would have to be cut by 40% to attain a balanced budget by 2008.

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